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31 October 1963

MEMORANDUM FOR THE RECORD

SUBJECT: Review of the NRO FY 64 and FY 65 Budget

1. The meeting was held in the Headquarters building on 22 October 1963 to consider the NRO budget for FY 64 and FY 65. Those present included Mr. McCone, Mr. Gilpatric, General Carter, Drs. Fubini, Wheelon and McMillan, and Messrs. Kiefer, Bross and [redacted] NRO.

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2. Dr. McMillan opened the meeting by circulating a memorandum outlining the major categories of expenditures in FY 64 and FY 65. Reference was made to an item of [redacted] in the FY 64 column in the line marked [redacted] (see annexed memorandum, Attachment A). This was identified as representing a portion of the regular CIA budget for FY 64. Mr. Gilpatric professed ignorance as to what it meant and why it was there. General Carter pointed out that [redacted] requested by CIA in its FY 64 appropriations should have been included if the item were appropriately shown in a presentation of the NRO budget at all. It was generally agreed that this item should be eliminated from the context of the NRO budget.

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3. There followed a general discussion of the total proposed budget for NRO for FY 64. It was agreed that the figure shown on the annexed memorandum was inaccurate; that the total figure would be generally in the vicinity of [redacted]

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[redacted] have been approved by the Secretary of Defense. (An additional [redacted])

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NRO review(s) completed.

[redacted] Copy No. 1 of 3

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had been requested by Dr. Fubini but for a purpose not finally approved by the Secretary of Defense.) The comparable figure for FY 65 is [redacted]. The increase for FY 65 over 64 is largely accounted for by the R-12 program.

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4. Dr. McMillan then initiated a discussion of the satellite programs including the proposed scheduling of CORONA [redacted] launches in FY 64. This was followed by some discussion of [redacted] which led in turn to further discussion of the reliability of [redacted] In this connection the need for LANYARD [redacted] was discussed. It was decided to cancel the LANYARD launch scheduled for early November. The FY 64 LANYARD program involves three launches and the purchase of eight additional LANYARD payloads. All launches will be cancelled but negotiations will be initiated with ITEK for the procurement of some LANYARD payloads to be kept in storage. The necessity of renegotiating commitments with ITEK was a factor to be kept in mind, as well as the objective of keeping ITEK going as a national resource.

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6. Dr. Fubini identified the five outstanding requirements for development as including: (1) a better CORONA, (2) a [redacted] (3) a quick reaction system, (4) a read-out system, and (5) a truly covert system. Dr. Wheelon qualified this statement by restating it to the effect that the development program involved examination of a number of basic functions. First, there is the

*it had previously been decided that
6 corona m payload
should be maintained*

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requirement for general search (presently filled by CORONA). Secondly, there is a requirement in the technical intelligence field for ~~general~~ resolution. This requirement is ~~used to~~ justified ~~LANYARD~~, the U-2, OXCART, etc. Next, there is the field of geodesy which justifies the present ARGON. Finally, there is what is called the indications problem, which involves the R-7 and would perhaps justify the covert satellite. Dr. McMillan concurred in Dr. Wheelon's analysis. Dr. Fubini commented that [redacted] really does not fit any of these categories.

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7. The DCI then addressed himself to the recommendations of the Purcell Panel with particular reference to their findings concerning the necessity of improving CORONA

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[redacted] After some discussion of various related or competing requirements, including requirements for all weather reconnaissance, quick reaction, etc., Dr. McMillan described

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the [redacted] which involves some [redacted]

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[redacted] in expenditures in FY 64. It was originally initiated

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with a direction towards a [redacted] system

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but was later reoriented to a "spying system." The contractors

developed studies and undertook development work designed to improve sensors and film transport mechanisms which will minimize film vibrations, etc. There is The Eastman Company

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confident in their ability to improve [redacted] beyond the objective of [redacted] In FY 65 [redacted]

has been allocated against the new system.

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8. Dr. McMillan then addressed himself to the problem of an improved CORONA. A committee (including Agency representation) was set up to examine with the contractors a number of proposed technical improvements. The committee concluded that none of the proposals promised enough improvement to be worth implementing, although there was some interest in certain proposals relating to exposure control. In the meantime, CIA has had a group examining the actual records of CORONA

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photography and had concluded that atmospheric effects were the cause of our imperfections in the CORONA system. [redacted]

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[redacted] have been allocated in the FY 64 budget for the improvement of the CORONA system. Nothing has been specifically allocated for CORONA improvement in FY 65.

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9. There followed some discussion as to the precise amount of money available for research programs generally in FY 64 and FY 65. There was general agreement that there should be further analysis of CORONA photography and that a group should be established to conduct these investigations. Dr. Wheelon pointed out that the group appointed on the West Coast to review the findings of the Purcell Panel did not in fact include representation from the Agency but the fact that two separate groups worked independently on this problem turned out to be a fortunate thing.

10. It was decided that a research group would be reconstituted under Dr. Wheelon's direction and Dr. Wheelon undertook to advise Dr. McMillan and others concerned of the proposed continuation of this group at the earliest possible date.

11. The DCI then discussed the general situation in the NRO and indicated his very strong belief that the NRO must be so constituted, directed, managed and staffed as to continue to be an instrument responsive to intelligence requirements. He stated that he wanted more CIA people assigned to the NRO in a truly joint organization.

12. It was further agreed that the officials represented at the meeting or officials similarly constituted in the hierarchy of the Agency and Defense Department should meet regularly as a Board of Directors to provide policy and management guidance to the NRO.

JOHN A. BROSS
D/DCI/NIPE

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CENTRAL INTELLIGENCE AGENCY
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ACTION	DIRECT REPLY		PREPARE REPLY
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Remarks:

Attached is a very rough draft of a memorandum for the record of the budget meeting on NRO. You will probably be far better able than I was to either make out or remember what was actually said at the meeting. In any event, you may want to reconstruct what ought to have been said.

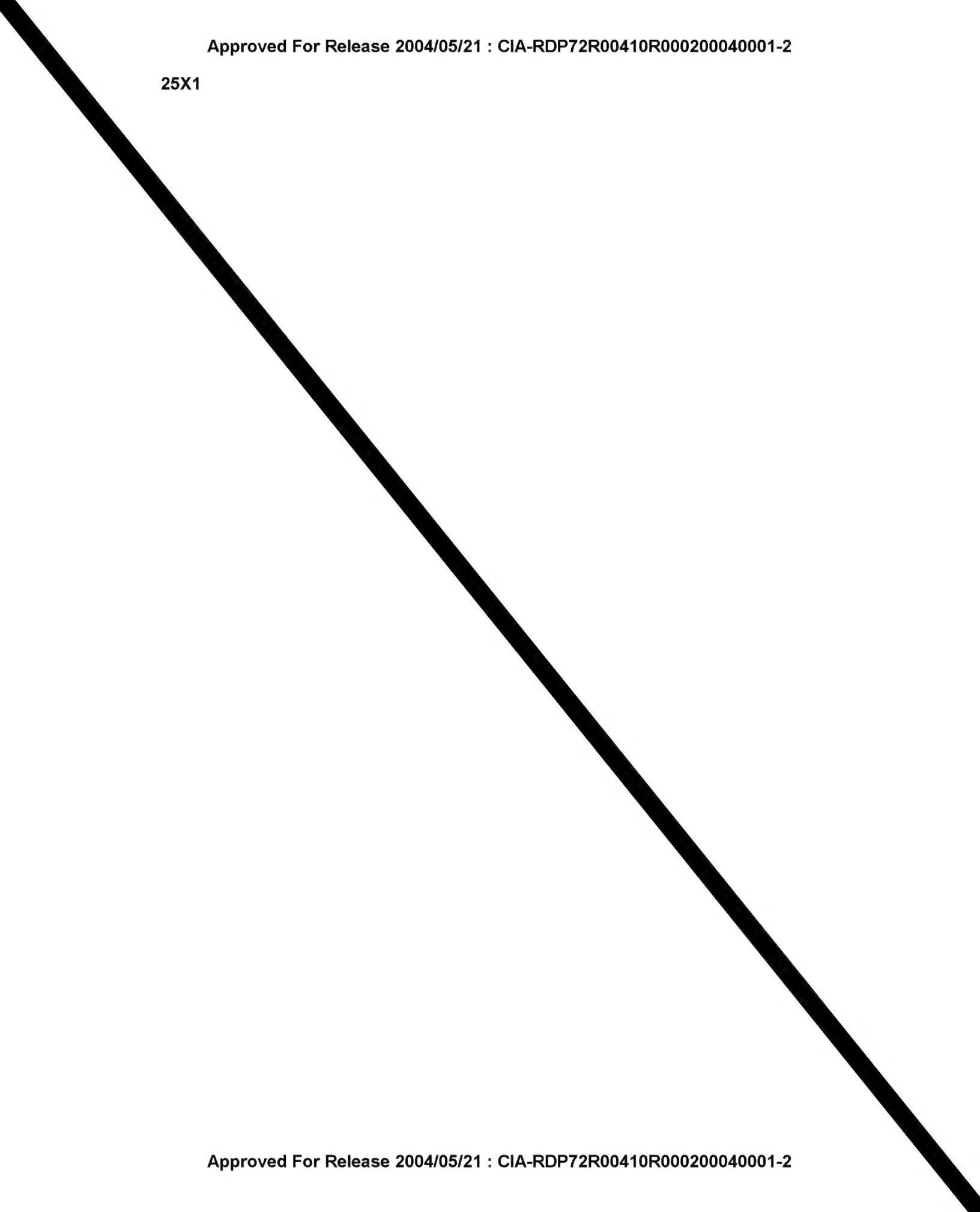
The proposed attachment A was the memorandum giving a list of budget items, of which I do not have a copy.

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FROM: NAME, ADDRESS AND PHONE NO.	DATE
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DEPARTMENT OF THE AIR FORCE
WASHINGTON

*NRC - Budget
Planning*

OFFICE OF THE UNDER SECRETARY

December 20, 1963

MEMORANDUM FOR DR. WHEELON, DDS&T, CIA

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As we discussed yesterday, I would like you to take a personal hand to guide, in my behalf, the studies proposed by Director, NRO Program B, of a possible mobile-launched satellite. As you know, his budget contains about [redacted] for studies of new satellite systems. I would like to be sure that this money is spent in the most productive way. I suggest the following general guidelines.

I feel that studies of specific hardware, or design studies, are not appropriate until the operational and intelligence objectives that are being sought are clarified. I look to you for help first in bringing about this clarification. I believe that we need a statement of mission, or a list, but at most a limited list, of specific missions, in order first of all to define why it is that we are studying a new development. Second, such a statement or list would serve as a basis for determining the features to be emphasized in hardware and systems studies, and for setting the priorities in trade-off studies that may ensue. Among the features that must be related to each other and fitted into a mission concept are covertness, vulnerability, reaction time, resolution, coverage, and flexibility of targeting and recovery.

More specifically, it is my impression that for later use several combinations of boosters and launch aircraft have already been well studied, and indeed to the point that one can generalize from these studies to conclusions about the limitations of systems based on available hardware. I feel that no new studies of this kind should be started until the results of all past studies have been summarized and analyzed.

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Numerous trajectory studies have also been made showing the target coverage available from combinations of fixed launch and recovery points, and relating this coverage to duration of mission. I believe that these also must be analyzed before further such studies would be appropriate. Colonel Paul Worthman of the NRO Staff can direct you to all of the studies I have mentioned.

At your convenience, I would like to hear your thinking about objectives and requirements, and your specific recommendations as to studies to be undertaken. I do not think that Program B should spend any major portion of the budgeted study funds until I have had your recommendations.

Signed

BROCKWAY McMILLAN

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Page 1 of 2 Pages.

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John Gross' memo. to Exec. Dir. states the problem is one of deciding how funds are to be shown in the budget; that the DCI has already said that funds will be in the CIA budget. After discussion of pertinent matters, he submits two (2) procedures for implementing budget arrangements. No. 1 Alternative anticipates funds appropriated to CIA - No. 2 anticipates CIA receiving funds on a reimbursable basis. He recommends alternative No. 2 and defers to the DD/R and the latter's ultimate views. Mr. Gross says that either alternative conforms with the DCI's instruction and the meaning and spirit of the NRO Agreement.

I believe that Mr. Gross' approach to this problem is not an altogether desirable one because it presumes that our past experience, evidencing an inability to work cooperatively and agreeably with NRO precludes any satisfactory working arrangement in the future unless we agree to receive our funds on a reimbursable basis. Perhaps, whereas money matters have been an integral part of the problem, a greater problem is one of "responsibility without corresponding authority" and, removing the presumed aggravation will not obviate the need to find and resolve the other contributing causes.

Although the alternate procedures are of immediate consideration and should be reviewed and commented upon, a few observations on the memorandum are submitted:

In para 2, re - "token portion of the total" -- this would seem to be an aside from the immediate problem because in a dynamic program of building sophisticated machines, systems, etc., new and better (and more costly) innovations are found during the process which, if not incorporated at the time (in consideration of the additional expense) could possibly result in the ultimate delivery of an inferior, already obsolete product. Unanticipated requirements for program acceleration with attending higher costs are also responsible for additional funding requirements. For NRO to have all funds in their appropriation would not preclude a recurrence in the future of any of these situations developing and requiring more money than budgeted.

Regarding para 6a, it is suggested that as an advantage from direct appropriation would be the assurance that contracts, already undertaken, might be administered more efficiently and timely since funds would be immediately available and forced slow-downs or shut-downs could be avoided. This recalls the situation in early '63 when CIA was in the red by some [redacted] because the Bureau of the Budget would not release CIA appropriated funds and some talk was heard of shutting down the contractors unless and until we received our funds.

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In para 6b(1) the "exercise of centralized control --" - will not be nearly so likely if funds are appropriated than if funds were obtained by reimbursement. Ergo, this hardly seems as a disadvantage but might seem to be an assumption based upon what happened (illegally) before.

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In para 6b(2) - This was the result of apparent collusion between NRO/DOD and the Bureau of the Budget and was successfully accomplished because CIA was unable to find the means of enforcing "our legal position", as affirmed by CIA General Counsel.

In para 6b(3) - Neither CIA nor NRO can predict overruns. Going back for additional funds, after NRO concurrence in the overruns, is no reflection on CIA management.

In para 6b(4) - Even with the strong emphasis on holding the line, a factual and realistic budget can be defended regardless of the size, if the activities contemplated are a proper part of the Agency's missions. When a budget is pared, everyone knows that some part of a justified program must be sacrificed. Furthermore, assuming the funds were not appropriated directly to CIA, funds for an approved program would then appear in the DOD budget, therefore it would seem that the same balance pervades, regardless.

In para 7 - There can be no argument against centralized budgeting. However, it is a fact that in this case this is not a wholly centralized program. The answer to whether this is or is not desirable might be found in the listed advantages and disadvantages of appropriated funds versus reimbursed funds.

Comments on Alternative No. 1 Procedure

Believe para. 2 should be preceded by a paragraph on how the figure included in the CIA budget is arrived at, i.e., what joint action is taken which precedes the decision on the budget figures to be submitted.

Believe, for purposes of clarification, definition of "assigned tasks" must be included in the procedure. For purposes of the procedure, assigned tasks are programs assigned to the Agency for - Contract Administration - For Financial Administration and For Program Direction.

Regarding the assignment of a "senior Comptroller representative to the staff of the DNRO" - this might serve some useful purpose. However, it would not actually ensure very much unless the individual is given authorities as well as responsibilities which situation is hardly likely to happen. Doesn't the assignment of such a person assume that our problems have always been attributable to financial disagreements? I suggest that a senior CIA Programs Officer might serve a more useful purpose since the NRO Comptroller

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25X1 A Programs Officer might be better qualified to understand the technical problems of contracting and production and could better coordinate these matters between CIA and NRO. There might be a conflict in that para 2c says the DD/R "will be responsible -- and -- ensure the proper application of funds to these tasks", whereas para 2d says the Comptroller's representative would "ensure adherence to the requirements -- -". I think it goes without saying that the DD/R would, stemming from an inherent responsibility, ensure the proper use of the funds. Also, the Comptroller's representative must be subordinate to the DD/R as the Deputy DNRO and, in such a position, could hardly ensure anything. He could, however, "assist both the CIA and the Deputy DNRO on the one hand

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and the Comptroller NRO on the other hand, in coordinating financial and budgetary matters of common concern." With regard to liaison responsibility between NRO and CIA, what elements of CIA has this reference to? Would it presume that technical discussions between persons in CIA and NRO be precluded except via this person, i.e., between Ledford, Parangosky, [redacted]
[redacted] et al on the one hand and [redacted] and AF technical people on the other, Suggest that liaison, in this concept, be between the Comptroller, NRO and the elements of the Comptroller, CIA. Finally, whether funds were appropriated directly to CIA or reimbursed, it might be just as appropriate, or inappropriate, to have a Comptroller's representative in the NRO(the No. 2 alternative does not provide for one).

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Believe it desirable to add a paragraph to both No. 1 and No. 2 alternatives which would intend to cover those items which are funded by NRO in the form of Advances. Such a paragraph might read --

" In addition to the assigned tasks referred to in para [redacted], for security and cover reasons, the CIA will perform Contract and Administration only for certain NRO programs which are not assigned to CIA for program direction. Funds for these programs will be made available to CIA by means of advances from NRO. CIA will account separately for these funds."

The above because in para 2e a reference to funds "which may be advanced" presumes that this form of funding is an approved technique whereas while it has been practiced, no formal arrangements have ever been made. And, with the new Agreement, I think we cannot simply refer to an arrangement which has been in practice before the date of the Agreement, but must regularize it to avoid misunderstanding.

Not mentioned in either alternative procedure is any reference [redacted] to the OSA/CIA program, for which funds are provided in the CIA budget. I would assume that we would insist on budgeting for these items if only to guarantee the integrity of our employees as CIA personnel, not subject to outside (NRO) factors.

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